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_____ NATIONAL INTELLIGENCE DAILY CABLE _____

_____ Saturday 29 October 1977 _____ CG NIDC 77/251C _____



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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Saturday, 29 October 1977.

The NID Cable is for the purpose of informing senior US officials.

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Ethiopia
CEMA

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SYRIA-IRAQ: PLO Offer Rejected

25X1 [redacted] //Iraq has scotched any expectation of a
25X1 reconciliation with Syria by rejecting out of hand [redacted]
[redacted] a proposed mediation effort by the
Palestine Liberation Organization. The attempted assassination
on Tuesday of Syrian Foreign Minister Khaddam by a purported
Iraqi agent has further diminished prospects for a rapproche-
ment.//

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25X1 [redacted] Syria tentatively approached the Iraqis last summer
in an apparent attempt to move closer to the rejectionist camp
in the event Arab-Israeli peace negotiations failed. Iraq was
not receptive to the Syrian approach but apparently left the
door open far enough to encourage PLO leaders to try further
mediation.

25X1 [redacted] //Baghdad has now rejected even that. In
an interview published yesterday, Iraqi President Bakr rebuffed
reconciliation efforts and charged Syria with attempting to use
Iraq as a "trump card" to strengthen its position in Middle East
peace negotiations. Bakr did, however, reiterate Iraq's will-
ingness to join with Syria in any future Arab-Israeli war.

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25X1 The [redacted] vitriolic remarks coincide with
the assassination attempt on Foreign Minister Khaddam by a Pal-
estinian who Syria charges was sponsored by Iraq. It is not
known whether Syria knows that the assassination attempt was
Iraqi-inspired or is falsely accusing the Iraqis because it is
angry that Baghdad rebuffed its diplomatic overture. Both are
logical assumptions, and we do not have independent evidence on
the motivation or the sponsorship of the assassin, who mistakenly
killed the United Arab Emirates minister of state for foreign
affairs. [redacted]

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ETHIOPIA: Mengistu's Travels

25X1 [REDACTED] //Ethiopian Chairman Mengistu left Addis Ababa on Wednesday for an extended trip abroad. He is likely to visit Cuba and East Germany and may also stop in the USSR, Libya, Guinea, and Angola. Mengistu probably wants to make a visible, personal effort to consolidate relations with these countries, and he is likely to ask some of them for increased financial and military aid.//

25X1 [REDACTED]

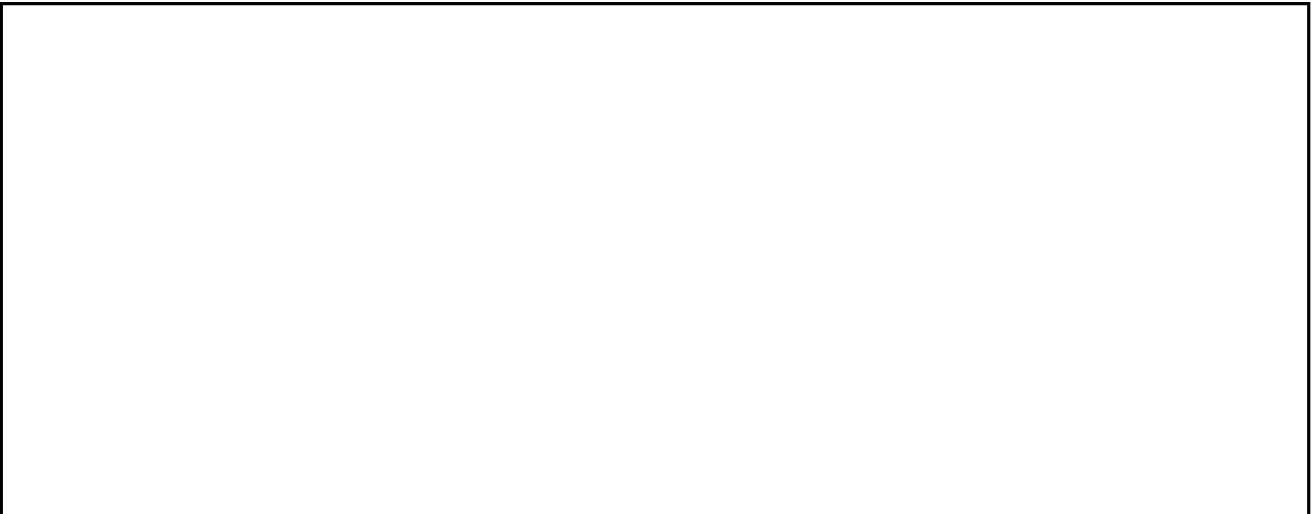
25X1 [REDACTED] Mengistu has left Ethiopia at a time when the military situation is serious and new tensions are surfacing, but he probably believes the trip will enhance his political image. He has had relatively little experience in foreign affairs, although he did have a successful visit to the USSR last spring. The current trip will provide him an opportunity to meet with a number of the established leaders in the international socialist camp.

25X1 [REDACTED] The Ethiopian leader will probably seek reassurances that Cuba remains strongly committed to supporting Ethiopia. There have been some indications that Cuba is less enthusiastic about Ethiopia than it was when Cuban President Castro visited the Horn of Africa last spring. During his trip, Castro described Mengistu as a true revolutionary and criticized Somali President Siad. Cuban authorities, however, handled in a low-key manner the visit of Ethiopian Minister of Foreign Affairs Feleke to Cuba earlier this month.

25X1 [REDACTED] //In recent weeks, senior Cuban Foreign Ministry officials have toned down their praise of the Ethiopian revolution and muted their criticism of Somalia. Cuban relations with Somalia remain cool, but Cuba apparently would like to prevent a further deterioration and is therefore trying to give at least the appearance of pursuing a more evenhanded policy in the Horn.//

25X1 [] Mengistu may ask Castro for more military advisers to aid Ethiopia's war effort, but he is unlikely to request Cuban combat troops. The Ethiopian military has sufficient manpower to battle the Somalis, but it needs training for new officers and instruction in the use of Soviet military equipment.

25X1 [] Castro may agree to send some additional advisers. He would probably find it difficult to refuse an Ethiopian request as long as Somali troops remain on Ethiopian territory. He may, however, urge Mengistu to seek a political solution with Somalia. The Cuban leadership perceives that its own commitments in Angola combined with the extent of Ethiopia's military activities make it unlikely that Cuba could make more than a token contribution.



25X1 [] In Libya, the USSR, and East Germany, Mengistu will probably seek primarily economic aid. The Ethiopian economy is facing serious problems because of the diversion of resources to the military and the reduction in foreign trade brought about by Somalia's severance of the Addis Ababa - Djibouti railroad, one of Ethiopia's two main transportation arteries. The Ethiopians are probably also concerned about the amount of money they owe the USSR for military equipment and may ask the Soviets for some relief.

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[REDACTED] The Ethiopians would welcome more promises of military aid from the USSR or Libya, but it seems unlikely they will seek major new arms agreements now. It will take time for them to assimilate the items already delivered or promised by the Soviets.

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[REDACTED] In Angola and Guinea, Mengistu will explain Ethiopia's position on Eritrea and the Ogaden and may seek support for stronger African condemnation of Somalia.

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USSR - NEW ZEALAND: Fisheries

25X1 [] //New Zealand continues to move toward beginning formal negotiations with the USSR on a fishing arrangement. Prime Minister Muldoon this week said the Soviet proposal for joint development of New Zealand's recently declared 200-mile fishing zone is "very tempting." Talks may get under way between November and January.//

25X1 [] //The New Zealanders have argued that Soviet promises of substantial purchases of New Zealand's agricultural products, which New Zealand is having increasing difficulty in marketing elsewhere, constitute a powerful inducement. An unsuccessful approach to Japan this week will further incline Wellington toward a deal with Moscow.//

25X1 [] //Australia, concerned over Soviet activities in the South Pacific, continues to show alarm over the prospect of a Soviet presence in New Zealand. Australian Foreign Minister Peacock intends to try to dissuade the New Zealanders from a joint agreement when Deputy Prime Minister Talboys visits Canberra in mid-November. The Australians, however, recently restricted New Zealand imports and have little influence on this issue.//

25X1 [] //One incident that could have deterred further progress in the fishing talks with Moscow appears to have been resolved. Following the roughing up of a New Zealand diplomat in Moscow two weeks ago, Prime Minister Muldoon demanded a prompt apology "if the Soviet Union values its ties with this country." Moscow rejected a New Zealand protest note, but four days later it sent a statement of regret, which Muldoon chose to take as an apology. []

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CANADA: Sour Investment Climate

25X1 [] //The recent announcement by the government in Quebec that it would take over the American-controlled Asbestos Corporation, the third largest asbestos producer in the Canadian province, has further soured the investment climate in Quebec, which depends heavily on foreign funds for its capital requirements. The government said its goal in taking over the corporation is to raise employment in the industry by increasing the amount of asbestos processed in Quebec.//

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[]//Premier Rene Levesque, head of the separatist-oriented Parti Quebecois, said last January that Quebec could no longer look to foreigners for economic development. Levesque cited poor working conditions in the asbestos industry and the failure of management to invest in Canadian processing facilities as reasons for singling out the asbestos industry for government takeover.//

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[]//The government claims that by raising the proportion of asbestos processed in Quebec from the present level of 3 percent of mined production to 20 percent, it can increase employment in the industry by 20,000 workers. The five largest asbestos producers in Quebec now employ about 6,500 workers.//

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[]//Asbestos Corporation is 54.6 percent owned by the US firm General Dynamics. The government chose to take it over because, unlike the other producers in Quebec, it sells its production on the market rather than to a parent company. By buying Asbestos Corporation, the government would immediately have access to all stages of the production of asbestos, including marketing, and thereby avoid the loss of outlets if takeover negotiations are long and arduous.//

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[]//In addition, Quebec believes that, based on present stock prices, it can buy a controlling interest in the company for less than \$40 million; takeover of the largest producer--Canadian Johns Manville--would be substantially more expensive.//

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[]//The decision on nationalization may be intended as a signal to the business community that the provincial government is fully prepared to exercise its prerogative to intervene further in the economy if cooperation is not forthcoming. Levesque, in fact, could back down somewhat from buying controlling interest if he can show that Asbestos Corporation is willing to meet the government halfway in further processing of asbestos in the province.//

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[]//Quebec's appeal to foreign investors has been limited since the Parti Quebecois was elected to power last November. The government's decisions to raise the minimum wage to \$3.15 per hour and to enter the insurance program have already caused substantial investor concern. The new French language law has also been cited as a major worry for potential foreign investors.//

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[]//Some fallout has already resulted from the government's actions. Canadian Johns Manville Company, a wholly owned subsidiary of the US corporation, froze its \$77-million expansion program after Levesque's announcement in January of the government's takeover plans. Although the company has since cautiously renewed investment spending in the province, it is watching closely the government's actions. A group of touring Japanese businessmen looking for potential foreign plant sites recently declared publicly that they had no intentions of investing in Quebec.//

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[]//An economic stimulus program unveiled by the government last Friday lays heavy stress on the need for private investment to get the economy moving. Senior officials of the Parti Quebecois leave little doubt, however, that the government remains committed to greater economic and political control of provincial affairs by the French-speaking Quebecois.

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COLOMBIA: Labor Problems Persist

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[] *The Colombia Government and labor leaders have so far failed to end differences over the wage dispute that caused a national strike last month. Union spokesmen are now threatening another national strike, which could result in more serious problems for Colombian President Lopez, the ruling Liberal Party, and perhaps for the nation's democratic institutions.*

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[] The government has flatly refused to accept demands by the four labor centrals for an immediate 50-percent across-the-board pay hike, but it has attempted to compromise by offering a 36-percent minimum-wage increase over the next six months.

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[] Union leaders labeled the administration's proposal "ridiculous and insulting" and broke off further talks. They contend that even with the proposed new minimum wage, Colombian workers would still have to work 200 hours a week to earn basic family living expenses. At the same time, inflation--brought on in part by massive foreign revenues from windfall coffee exports and by huge black market profits from narcotics trafficking and contraband smuggling--would continue to reduce wage earner's purchasing power.

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[] The stalemate between the government and labor will continue to estrange them for some time, but union leaders may be reluctant to call a second strike. Most workers were fearful of government reprisals and did not actually support last month's strike. They could not get to their jobs, however, because the unions were successful in crippling the public transportation system.

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[] The government's inept handling of the strike caused further factionalism within the already splintered Liberal Party and led to a reshuffling of the cabinet. President Lopez incurred additional disfavor from military leaders, who resented having to assign troops to quell "politically motivated" public disorders.

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[] Many officers distrust the civilian politicians and are increasingly concerned over the administration's failure to solve pressing social and economic problems. Although there is no evidence of coup plotting, both the malaise gripping Colombia and the political uncertainty of an election year are likely to prompt the military to look closer than ever at civilian ability to govern the country.

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[] Lopez and the Liberal Party have already suffered a political setback as a result of their failure to ease the country's economic problems. Unless there is some reconciliation between labor and the government in the next several months, the President will end his administration on a very sour note.

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SPAIN: Carrillo Requests Visa

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[] *Spanish Communist Party leader Santiago Carrillo has applied for a visa to deliver a series of lectures in the US next month.*

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[] According to the US Embassy in Madrid, Carrillo hopes to leave Spain on 14 November. His proposed itinerary includes Yale, the Council on Foreign Relations in New York, and Harvard. He also plans to spend three days at Johns Hopkins, both in Baltimore and Washington.

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25X1 [] Carrillo will be going to Moscow next week to attend the celebration of the October Revolution. His message in both countries is likely to be the same. He will stress his party's Eurocommunist line: independence, respectability, and devotion to multiparty democracy.

25X1 [] In the US, Carrillo will doubtless point out that Communist support has helped Prime Minister Suarez achieve consensus agreements recently with the opposition on wide-ranging economic and political measures that may prove instrumental in pulling Spain through a difficult phase of the transition to democracy. []

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BRIEFS

ETHIOPIA

25X1 [] Three or four students were killed yesterday in Addis Ababa when Ethiopian security forces fired on a group of about 50 students who were chanting antigovernment slogans. The police presumably could have dispersed the groups without using force but chose not to do so. Student violence--generally to protest military rule--has occurred from time to time over the past year, and the regime's patience may be running out. An article in the government-controlled Amharic-language press the previous day called for "white terror. . . to be crushed with red terror around the schools." []
NSA-

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CEMA

25X1 [] The price system for trade among countries of the Soviet-led Council for Mutual Economic Assistance may be revamped next year because of concern by the East European planners. They apparently believe the present system of annual price adjustments is too disruptive to the planning process. We have no evidence concerning the Soviet position but--with the possible exception of prices for oil--Moscow may be receptive to more stable prices now that world price rises have slowed from the 1973-74 pace. Under the present CEMA system--established in 1975--prices are based on a five-year moving

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average of world prices; by next year, Soviet prices to Eastern Europe will be much closer to world levels. Prior to 1975, prices were generally held constant throughout the 5-year plan period. [REDACTED]

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